


THE *Investors* GROUP

1965

Annual Report



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THE *Investors* GROUP

HIGHLIGHTS

	<u>1965</u>	<u>1964</u>	<u>Increase</u>
Total Assets Under Administration	\$1,228,000,000	\$1,043,000,000	18%
Including:			
Mutual Fund Assets	736,000,000	626,500,000	17%
Pension Fund Assets	95,000,000	33,000,000	188%
Earnings	5,731,374	4,678,489	23%
Earnings Per Share	69c	56c	
Dividends	2,919,732	2,252,364	30%
Dividends Per Share	35c	27c	
Capital and Surplus	24,931,947	22,245,305	12%
Number of Clients	379,000	354,000	7%

THE *Investors* GROUP

BOARD OF DIRECTORS

C. E. ATCHISON.....	Winnipeg, Man.
W. J. BENNETT.....	Montreal, Que.
PETER D. CURRY.....	Winnipeg, Man.
PAUL G. DESMARAIS.....	Montreal, Que.
J. GRANT GLASSCO.....	Toronto, Ont.
BERTHOLD MONGEAU.....	Montreal, Que.
T. O. PETERSON.....	Winnipeg, Man.
R. W. PURCELL.....	New York, N.Y.
JAMES A. RICHARDSON.....	Winnipeg, Man.
THE RIGHT HONOURABLE LOUIS S. ST. LAURENT, P.C., Q.C., LL.D.	Quebec, Que.

AUDITORS

PEAT, MARWICK, MITCHELL & CO.	Chartered Accountants
DELOITTE, PLENDER, HASKINS & SELLS	Chartered Accountants

TRANSFER AGENT AND REGISTRAR
CANADA PERMANENT TRUST COMPANY

EXECUTIVE OFFICERS

T. O. PETERSON	Chairman of the Board President, and Chief Executive Officer
C. E. ATCHISON	Executive Vice-President and General Manager
J. N. W. BUDD	Vice-President
H. W. COOPER	Vice-President, Law
R. L. FRIEND	Vice-President, Mortgage Division
E. G. O. HOWARD	Vice-President and Secretary
A. S. JACKSON	Vice-President and Treasurer
R. H. JONES	Vice-President, Securities Division
C. N. HALFORD	Assistant Vice-President Securities Division
P. E. NEWMAN	Assistant Vice-President Securities Division
J. S. HEKE	Assistant Vice-President Mortgage Division
J. B. McRAE	Assistant Treasurer
G. L. F. RIDDELL	Assistant Secretary
W. H. CLEAR	Internal Auditor
P. M. DAFOE	Assistant Comptroller
J. D. McALDUFF	Assistant Comptroller
H. W. MIDDLESTEAD	Assistant Comptroller
C. G. TURNBULL	Assistant Comptroller
B. F. SMITH	Manager, Data Processing



Head Office Building — 280 Broadway, Winnipeg

THE *Investors* GROUP 1965 ANNUAL REPORT

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PRESIDENT'S REPORT TO THE SHAREHOLDERS

The year 1965 marked 25 years of progress for your Company, and I am pleased to report that once again highly satisfactory results were achieved in all aspects of our operations. New highs were reached in sales, assets under administration, earnings and dividends.

Assets under administration rose 18% to \$1,228,000,000 and earnings increased 23% to \$5,731,374, or 69 cents a share, after provision for income taxes of \$4,356,000. The Company distributed dividends of 35 cents a share, 8 cents more than in 1964.

The attainment of any milestone or the achievement of any goal is traditionally a time for looking back to review what made the accomplishment possible. However, any such review is valuable only for what it provides in the way of insight and desire to help bring about even greater accomplishments in the future.

It is with this attitude that we look back over our first quarter century and, in the succeeding pages, review in detail the results of our 1965 operations.

Although during the Company's early years its growth was restricted due to wartime conditions, nevertheless steady progress was made. Since the end of the war its growth has been unequalled in the industry. The clients of the Companies comprising The Investors Group now number over 375,000. While the majority of our clients are people with average incomes, there are also many of substantial means as well as corporations, pension funds and institutions. The services offered by your Company are designed to meet the financial needs of people in every walk of life who have a sincere desire to improve their financial position through a systematic approach to saving and investment.

The Company's achievements over the years are, of course, a tribute to the devoted and hard-working members of our distributing organization and the officers and staff of our Head Office and Region Offices. To each of them I extend my own appreciation and that of the Directors.

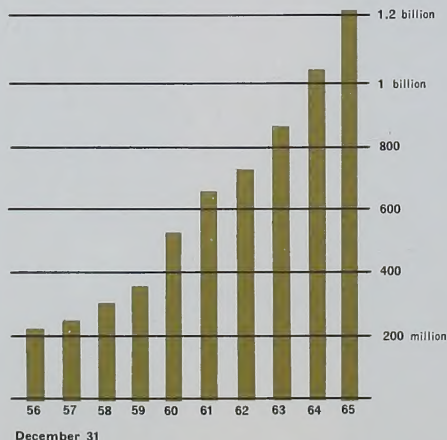
Early in 1966, Mr. S. M. Wedd of Toronto, who served as a Director of your Company through several years of its most impressive growth, resigned. We shall miss his wise counsel. Mr. Paul Desmarais of Montreal, a man of wide and successful business experience, has been elected to fill the vacancy.

ASSETS UNDER ADMINISTRATION

The assets under administration of The Investors Group totalled \$1,228,000,000 at December 31, 1965, an increase of \$185,000,000 during the year. It is interesting to note that this increase, in a single year, is greater than the total assets administered by the Company in 1955.

These assets are invested in the following type of securities:

Common Stock.....	\$ 644,000,000
Preferred Stock.....	90,000,000
Bonds and Debentures.....	150,000,000
First Mortgage Loans.....	313,000,000
Cash and Other Assets.....	31,000,000
Total Assets Under Administration	\$1,228,000,000



The investments represented by these assets are playing an important role in the development of Canada, and to a lesser degree, other countries. The following analysis shows the diversification of these investments:

FIRST MORTGAGES AND BONDS

Houses and Apartment Buildings.....	\$224,000,000
Commercial and Industrial Plant and Equipment.....	147,000,000
Government Projects (Federal, Provincial and Municipal).....	92,000,000

COMMON AND PREFERRED STOCKS

Public Utilities.....	\$112,000,000
Metal Mining and Refining.....	105,000,000
Financial Institutions.....	91,000,000
Oil and Gas.....	76,000,000
Food and Retail.....	61,000,000
Steel.....	47,000,000
Office Equipment.....	47,000,000
Manufacturing.....	39,000,000
Pulp and Paper.....	38,000,000
Beverages.....	34,000,000
Transportation.....	28,000,000
Chemicals and Textiles.....	26,000,000
Electrical.....	16,000,000
Miscellaneous.....	14,000,000

EARNINGS PER SHARE AND DIVIDENDS

Consolidated net earnings for 1965 were \$5,731,734, or 69 cents per share, a 23% increase over the 56 cents earned the previous year. Semi-annual dividends of 15 cents and 20 cents for a total of 35 cents were paid during the year—8 cents more than in 1964.

Net income from Investors Trust Company, which is not consolidated with The Investors Group, was \$164,000, a 7% increase over the previous year, representing a 5.3% after tax return on the Company's investment.

The sale of Mutual Fund shares totalled \$164,000,000, an increase of \$44,000,000 over 1964. These additional investment dollars, combined with the market appreciation of the investments in the Mutual Fund portfolios accounted for the increase in income from management and distribution services. Income from investment certificate operations also showed satisfactory improvement.

The record of earnings and dividends paid over the last 10 years is illustrated in the following schedule.

HISTORICAL EARNINGS RECORD — 1956 - 1965 (000 omitted)

	YEAR ENDED DECEMBER 31st									
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Certificate income:										
Income from investments.....	\$5,091	5,680	6,323	7,220	8,339	15,451	17,030	18,253	19,670	21,412
Certificate interest costs and expenses:										
Interest on certificate liabilities.....	2,420	2,672	2,953	3,378	3,727	8,289	8,950	10,031	10,996	11,529
Additional credits to certificates.....	714	791	901	974	1,088	1,240	1,459	1,743	1,862	1,944
Operating expenses—										
less service fees.....	346	471	374	544	552	1,667	1,983	2,349	2,535	2,819
	3,480	3,934	4,228	4,896	5,367	11,196	12,392	14,123	15,393	16,292
Income from certificate operations.....	1,611	1,746	2,095	2,324	2,972	4,255	4,638	4,130	4,277	5,120
Income from management and distribution services.....	1,068	867	883	1,625	1,148	2,130	2,454	2,501	3,594	4,816
Net income before taxes.....	2,679	2,613	2,978	3,949	4,120	6,385	7,092	6,631	7,871	9,936
Income tax provision.....	1,102	983	1,150	1,600	1,615	2,770	3,100	2,631	3,317	4,356
	1,577	1,630	1,828	2,349	2,505	3,615	3,992	4,000	4,554	5,580
Income from Investors Trust Company (not consolidated).....	—	—	—	—	—	—	52	93	154	164
Deduct—minority interest in earnings of subsidiary.....	—	—	—	—	—	223	119	66	30	13
Net Income.....	\$1,577	1,630	1,828	2,349	2,505	3,392	3,925	4,027	4,678	5,731
Net income per share.....	19 ¢	20	22	28	30	41	47	48	56	69
Dividends per share (Based on shares outstanding December 31, 1965).....	—	*8 ¢	10	12	15	17	20	24	27	35

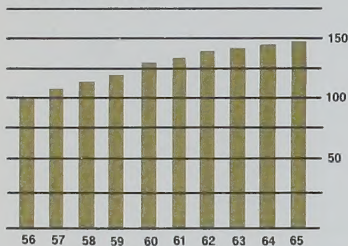
*Plus 5% stock dividend.

INVESTMENT CERTIFICATE OPERATIONS INVESTORS SYNDICATE LIMITED

The maturity value of investment certificates in force continued to grow and at the end of the year totalled \$710,000,000. This figure, which is up \$30,000,000 from 1964, represents the savings programs of almost 150,000 persons.

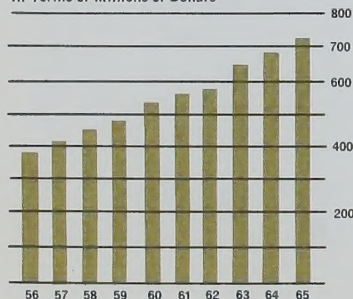
The graphs below illustrate the year-to-year growth of the business in force.

NUMBER OF CERTIFICATE HOLDERS
In Terms of Thousands



December 31

MATURITY VALUE OF BUSINESS IN FORCE
In Terms of Millions of Dollars



December 31

Sales of investment certificates totalling \$110,000,000 were down slightly from the previous year, while Mutual Fund sales far exceeded all previous records.

At the time of this writing, the Company's distribution organization numbered over 800 representatives operating from 29 Regional sales offices located in principal cities across Canada.

Certificate liabilities totalled \$202,603,570 at the year-end, compared with \$190,725,759 in 1964. The following condensed balance sheet will serve to illustrate the strong degree of protection afforded certificate holders.

CONDENSED BALANCE SHEET

December 31, 1965

ASSETS

Cash and Investments.....	\$226,058,837
Other Assets.....	1,989,700
Total Assets.....	\$228,048,537

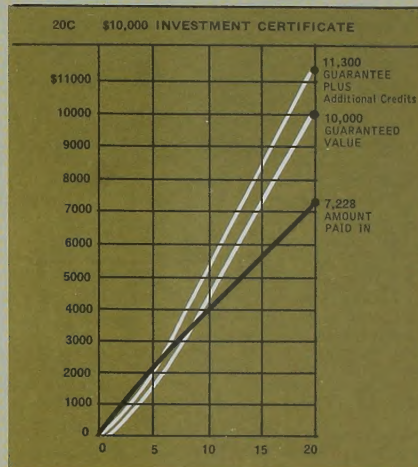
LIABILITIES

Certificate Liabilities.....	\$202,603,570
Other Liabilities.....	11,142,522
Investment Reserves.....	978,574
Deferred Income.....	2,155,014
Capital and Surplus.....	11,168,857

Total Liabilities, Capital and Surplus.....	\$228,048,537
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The investment certificates issued by the Company make provision for additional credits, the rates of which are determined by the Directors each year. During the calendar year 1965, in excess of \$1,944,000 was credited to certificate holders, the largest amount credited in any year.

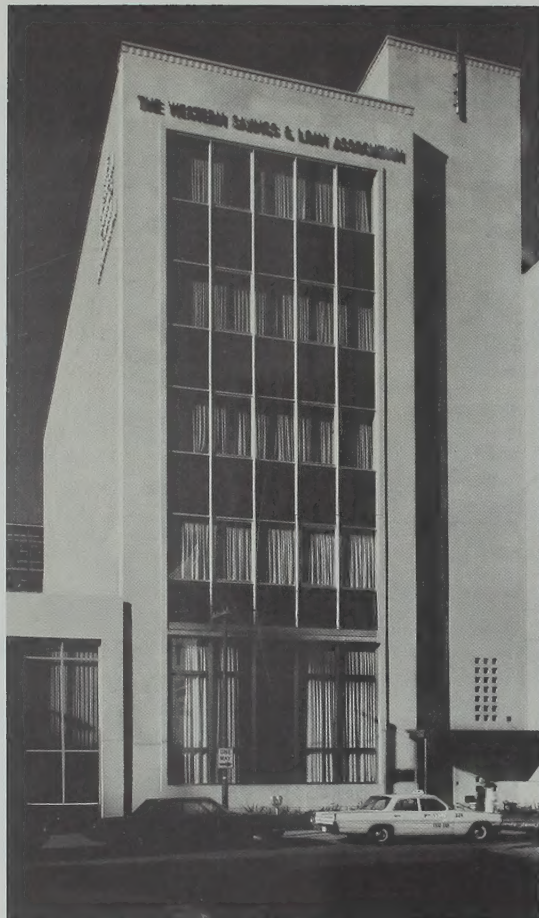
The accompanying chart illustrates the effect of additional credits upon the maturity value of a 20 year \$10,000 certificate, where payments are made annually. This illustration assumes the current rate of additional credits projected over the 20 year period.



Investors Syndicate Limited offers both installment and single payment and annuity certificates. The installment certificates enable purchasers to accumulate their savings over a number of years ranging from six to twenty by regular periodic payments. Single payment and annuity certificates permit the purchaser to invest lump sums, the interest on which is compounded to maturity.

Both types of certificate carry a guaranteed return and, in addition, are eligible for additional credits as declared by the Directors. Such additional credits have been paid every year since the inception of the Company.

Both types of certificates are also eligible for registration as retirement plans in order to obtain immediate income tax relief.



Head Office - The Western Savings and Loan Association
280 Smith St., Winnipeg

INVESTMENT CERTIFICATE OPERATIONS THE WESTERN SAVINGS AND LOAN ASSOCIATION THE PROVIDENT INVESTMENT COMPANY

Since The Western Savings and Loan Association became a member of The Investors Group in 1960 the investment services offered by it have been revised and expanded. An important new service was the formation of Provident Mutual Fund Ltd. in 1962, the shares of which are distributed exclusively by the distribution organization of Western Savings and Loan and its wholly owned subsidiary, The Provident Investment Company. The assets of this Fund have already grown to over 21 million.

During 1965 the sale of installment savings certificates increased slightly over the previous year, while the sale of certificates requiring lump sum payments were lower, due primarily to the greatly improved sales of Provident Mutual Fund shares.

The condensed Consolidated balance sheet of The Western Savings and Loan Association including its subsidiary, The Provident Investment Company, shows liabilities to the certificate holders of \$113,482,865 with cash and investments of \$127,434,822 indicating a substantial margin of protection.

The Provident Investment Company, operated in Ontario for a number of years offering installment and single payment certificates. In 1965 increased servicing and sales facilities were established in Toronto, Ottawa and Sudbury. Provident offers investment certificates, patterned after those offered by Investors Syndicate Limited; the shares of Provident Mutual Fund Ltd. and all of the trust and pension services of Investors Trust Company.

CONDENSED BALANCE SHEET

December 31, 1965

ASSETS

Cash and Investments	\$127,434,822
Other Assets	424,420
Total Assets	<u>\$127,859,242</u>

LIABILITIES

Certificate Liabilities	\$113,482,865
Other Liabilities	729,591
Investment Reserves	2,106,895
Deferred Income	88,241
Capital and Surplus	11,451,650
Total Liabilities, Capital and Surplus	<u>\$127,859,242</u>

TRUST OPERATIONS

INVESTORS TRUST COMPANY

Investors Trust Company experienced another year of substantial growth during 1965. This subsidiary, formed in 1957 to facilitate your Company's entry into the field of individual and group retirement savings plans, has systematically expanded its activities to embrace all Trust services. These are outlined on the opposite page.

During 1965, the number of group pension plans under administration increased by 180 to 591. Pooled Pension Fund assets and those on a segregated fund basis rose to \$95,219,000, and total assets under the Trust Company's administration were up by \$62,000,000 to \$181,000,000 at year-end. The growth in these activities is graphically illustrated below.

The increase in group pension plans includes a substantial number of the executive type which are meeting with increasing acceptance. A number of

plans covering employees of large corporations were also accepted during the year.

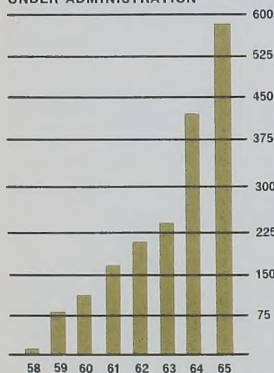
The estate planning division was again very active, experiencing a 54% increase in the number of Will appointments and a marked increase in Wills under administration.

Deposit banking services, which were inaugurated during 1964, were expanded with the opening of two new branches.

Alterations to the Head Office building to accommodate the expanding Trust activities were completed during the year. The new quarters contain modern and extensive facilities for safe keeping, custodianship and deposit banking, and have made possible the centralization of all Trust Company functions.

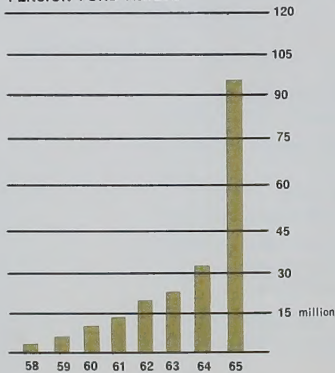
A condensed balance sheet of Investors Trust Company as at December 31, 1965, including the assets held for estates and trusts, follows.

NUMBER OF PENSION PLANS
UNDER ADMINISTRATION



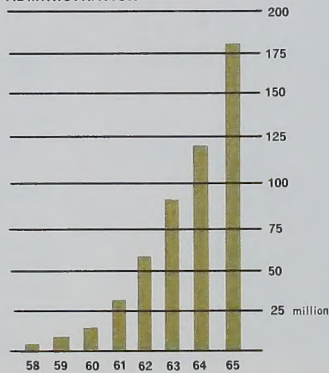
December 31

PENSION FUND ASSETS



December 31

TOTAL ASSETS UNDER
ADMINISTRATION



December 31

CONDENSED BALANCE SHEET

December 31, 1965

ASSETS

Investments and other assets (Company's own funds).....	\$ 3,763,500
Investments and other assets (guaranteed trust funds).....	37,073,300
Investments and other assets (held for Estates and Trusts)....	140,203,800
Total Assets.....	\$181,040,600

LIABILITIES

Accounts Payable.....	\$ 143,200
Investment Reserves.....	50,600
Capital and Surplus.....	3,569,700
	<u>3,763,500</u>
Guaranteed Trust Funds.....	37,073,300
Estates and Trust Funds.....	140,203,800
Total Liabilities, Capital and Surplus.....	\$181,040,600



Safekeeping and vault facilities — Winnipeg Head Office

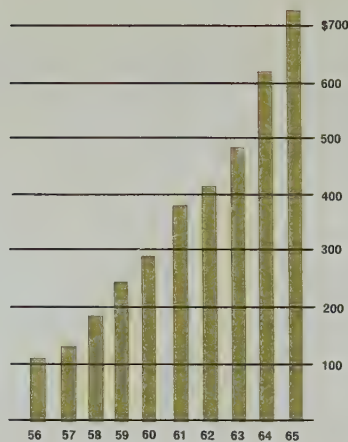
TRUST SERVICES

FOR INDIVIDUALS

Savings Deposits
 Guaranteed Investment Certificates
 Estate Planning
 Executor and Trustee under Wills
 Administrator of Intestate Estates
 Agent for Executors and Trustees
 Trustee under Deeds of Trust
 Committee or Curator of the Property of Incapacitated Persons
 Mortgage Loans
 Registered Retirement Savings Plans
 Agent to Buy, Sell and Manage Real Estate
 Agent for the Investment of Moneys and Collection of Dividends, Interest, Rent and the Principal of Mortgages, Bonds and Stocks
 Management and Safe Custody of Securities and other Property

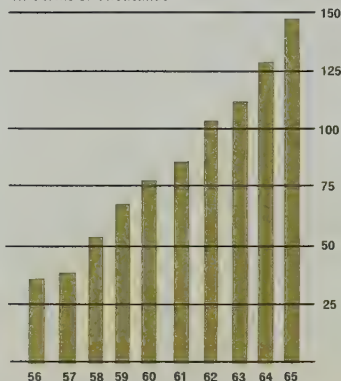
FOR CORPORATIONS

Transfer Agent and Registrar for Shares
 Dividend Disbursing Agent
 Trustee of Bond Issues
 Trustee for Buy-Sell Agreements under Business Insurance Trusts
 Depositary and Escrow Agent
 Pension Plan Consulting
 Trustee and Custodian for Pension and Other Employee Benefit Plans
 Executive Pension Plans
 Trustee of Endowment Funds
 Property Management and Leasing
 Short and Medium Term Guaranteed Deposit Receipts
 Mortgage Loan Correspondents



December 31

NUMBER OF MUTUAL FUND
SHAREHOLDER ACCOUNTS
In Terms of Thousands



December 31

MUTUAL FUND OPERATIONS

The aggregate assets of the four mutual funds managed by The Investors Group increased by \$109,372,000 from \$626,581,000 at the end of 1964 to \$735,953,000 at the end of 1965. The number of shareholders increased from 127,300 to 149,198 in the same period.

The charts at right, which illustrate these developments, attest to the impressive growth achieved by the Funds and to their popular acceptance as a form of investment.

Sales of shares in our Funds during the year totalled \$163,753,000, a 37% increase over 1964 sales. Dividends paid to shareholders, over 90% of which were reinvested in new shares, totalled \$18,352,000. These record single-year dividends bring to \$92,458,000 the amount declared and paid to our Mutual Fund shareholders over the last 10 years.

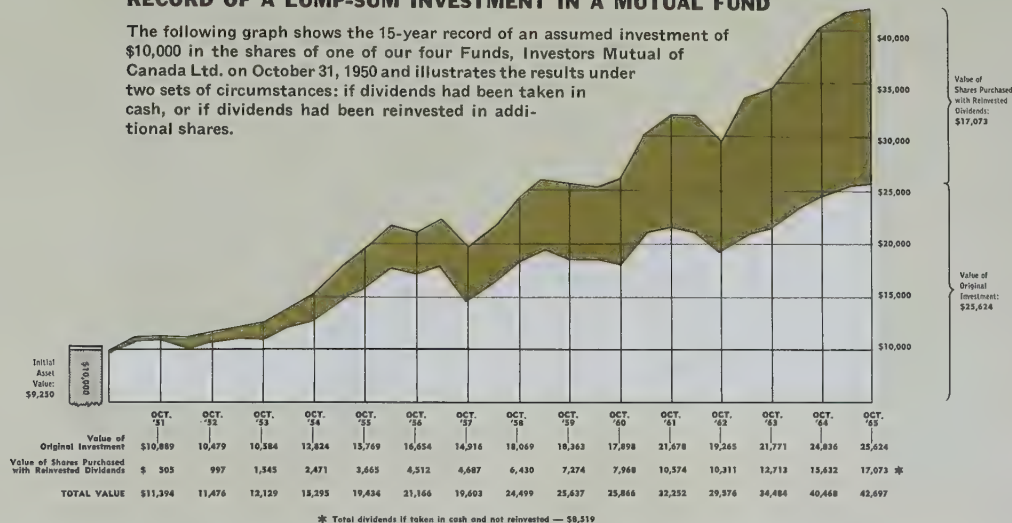
The Mutual Funds managed by The Investors Group represent approximately 40% of Canada's Mutual Fund industry. Our Funds are: Investors Mutual of Canada Ltd., Investors Growth Fund of Canada Ltd. and Investors International Mutual Fund Ltd.—all distributed by Investors Syndicate Limited—and Provident Mutual Fund Ltd. whose shares are distributed by The Western Savings and Loan Association and its subsidiary The Provident Investment Company.

Following is the year-end position of each of these Funds:

	At December 31, 1965	
	Net Assets	Shareholder Accounts
Investors Mutual.....	\$571,223,000	96,527
Investors Growth.....	127,402,000	42,035
Investors International.....	16,177,000	5,292
Provident Mutual.....	21,151,000	5,344
	<u>\$735,953,000</u>	<u>149,198</u>

RECORD OF A LUMP-SUM INVESTMENT IN A MUTUAL FUND

The following graph shows the 15-year record of an assumed investment of \$10,000 in the shares of one of our four Funds, Investors Mutual of Canada Ltd. on October 31, 1950 and illustrates the results under two sets of circumstances: if dividends had been taken in cash, or if dividends had been reinvested in additional shares.



MUTUAL FUND FEATURES

SAFETY—Through diversification of investments in a large number of securities.

GOOD RETURN—Through impressive capital gains and cash dividends.

INFLATION HEDGE—Through growth which offsets the declining purchasing power of the dollar.

LIQUIDITY AND COLLATERAL—Shares may be redeemed at net asset value, without charge, any time. Shares are acceptable as first class collateral in obtaining loans at most banks.

TAX ADVANTAGES—Appreciation realized when shares are redeemed is a tax-free capital gain; because the Funds are Canadian tax-paying

corporations, shareholders resident in Canada receive a 20% tax credit on dividends.

INCOME OPTION—Shareholders may receive their dividends in cash or, if they prefer, have them automatically reinvested to purchase additional shares at no extra cost.

CONVENIENCE—All details of investment—including collecting and cashing dividends, exercising proxies and rights, examining statements, following market quotations and conditions and interpreting trends—are handled for Fund shareholders.

LOW COST—All Fund services are provided at low commission rates, ranging from 8% to 3%, depending on the amount subscribed for.

REVIEW AND OUTLOOK

In both Canada and the United States the year 1965 ended on an extremely buoyant note, with unemployment at the lowest level in almost a decade and with most production indices reaching new highs. In Canada, 1965 saw the gross national product increase about 6.2% in real terms and over 9% in terms of current dollars. G.N.P. reached and exceeded the \$50 billion mark for the first time in our history. Thus, for the second year in a row, output rose by more than the 5.5% target suggested by the Economic Council.

A major factor in this near record growth rate was the high level of business capital spending on plant and equipment. Business capital expenditures advanced by almost 15% in real terms during 1965, very close to the gain recorded in 1964. The economy also derived strong support from an 8.5% gain in consumer spending for automobiles and other consumer durables and from an 8.0% increase in the expenditures of municipal and provincial governments.

As a result of this high level of capital spending the machinery and equipment and construction industries were working at capacity and shortages of skilled labor and other facilities were placing a limit on further growth. The pressure of demand on the construction industry was also having its effect on wage levels and average hourly earnings in this industry increased by more than 9% during the year ended in September.

The current prosperity our economy is enjoying should continue throughout 1966 and well into 1967. The growth in output during 1966 may fall short of the level reached in each of the last two years. For, as the economy approaches full employment, and most industries find themselves working near capacity, further gains in output are more difficult to achieve. Nevertheless, gains in output during 1966 may still be substantial. The Canadian labor force has been growing rapidly, by close to 3% per year, and will continue to do so. Further, for the first time since the late fifties, the inflow of new immigrants in 1965 exceeded the outflow of emigrants by a substantial margin. Net immigration may well rise further in 1966. Moreover, as a result of the sharp rise in capital spending which started

in late 1963, additional new equipment will be coming into use during 1966. Not only will this make possible expanded output but it may also result in significant gains in productivity. In some degree productivity gains were held down in 1965 because it became necessary to use older and less efficient standby equipment in order to meet production requirements.

Demand can be expected to continue at a high level for a number of reasons. The near record prairie grain crop in 1965 combined with another major contract with the Soviet Union will be reflected in a high level of farm income and in farm spending for machinery, automobiles and other products. The Chinese wheat contract which comes into effect in 1966 will help ensure a continued strong market for prairie grain.

Demand for Canadian output will also be supported by the extremely strong growth phase now evident in the United States economy. Canadian exports to the United States have increased 50% during the past five years and have undoubtedly played a key role in supporting the strong growth Canada is now enjoying. A number of factors suggest that we can expect continued strong growth in the United States market. A recent survey of capital expenditures forecasts a further rise of 15% in capital spending during 1966, coming on top of a similar increase in 1965. The effects of this will be reinforced by a further increase in government defence spending, made necessary by the Vietnam involvement. In addition, an index of consumer attitudes suggests that most consumers think this is a very favorable time to buy. As a result, the major automobile companies are predicting sales in 1966 that will match 1965's record level.

A strong demand for Canadian exports in the United States and a high level of farm spending should be supported by continued growth in the domestic market. Widespread preparations for Canada's centennial will give an added impetus to spending in 1966.

The major problem facing the economy in the coming year will undoubtedly be that of maintaining reasonable price stability in the face of these strong demand forces. Consumer prices increased 3.1% during 1965, substantially more than in any recent year. However, a major cause

of this larger gain was the sharp rise in food prices. Food prices advanced some 4.7%. In contrast, consumer prices, excluding food, have increased at an annual rate of only 2.2% during recent months, somewhat less than the 2.4% increase that occurred during 1964.

Still, as unemployment has declined, inflationary pressures have increased and there is need for a good deal of wage and price restraint if Canada is not to lose much of the competitive advantage in international markets she gained by devaluation a few years ago.

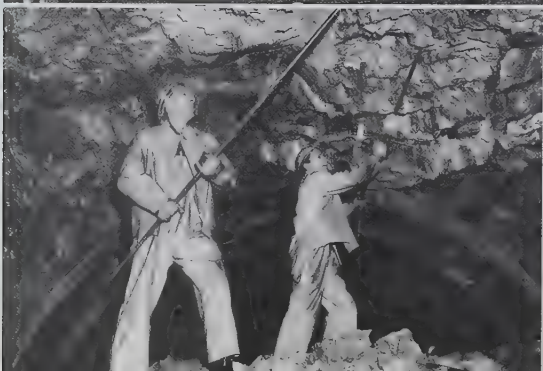
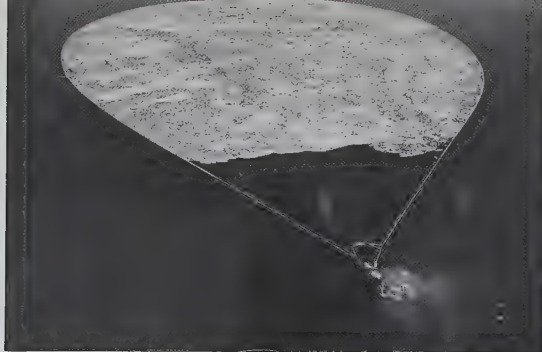
Of the many factors which determine our economic future, perhaps the most important is the action of government. Welfare programs recently introduced, and those proposed, are designed to ease the financial burdens of retirement and to provide for medical needs. One might well ask, however, where the responsibility of government ends in providing such measures and where the responsibility of the individual begins in providing for his own needs on the basis of his own choice. The very real danger in helping people who could otherwise help themselves, is that it could tend to destroy incentive and encourage complacency, neither of which are healthy attitudes if Canada is to move ahead.

The Report of the Royal Commission on Taxation will be made public in the months ahead and it is to be hoped that its recommendations and their probable effect on the economy will be given careful consideration before implementation. The proposal to establish the Canada Development Corporation also requires thoughtful review, considering first other means by which the proposed objectives of the Corporation may be achieved, such as additional tax incentives to encourage investment by Canadians in Canada.

Your Company will continue to improve and expand its various services to meet changing conditions and, given a climate conducive to freedom of enterprise, is confident of its ability to grow and prosper.



President



AUDITORS' REPORT

To the Shareholders of

THE INVESTORS GROUP:

We have examined the consolidated balance sheet of The Investors Group and subsidiary companies as at December 31, 1965 and the related consolidated statements of income and surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and surplus present fairly the consolidated financial position of the companies as at December 31, 1965, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.
Deloitte, Plender, Haskins & Sells
Chartered Accountants

Winnipeg, Manitoba
February 14, 1966

THE INVESTORS GROUP
and Subsidiary Companies

ASSETS	1965	1964
Cash and Investments:		
Cash on Hand and in Bank.....	\$ 2,252,607	\$ 4,152,832
Marketable Securities—at cost, and accrued income (market value 1965—\$62,092,227; 1964—\$72,733,821).....	63,655,645	71,795,400
First Mortgages on Real Estate including accrued interest receivable.....	273,832,153	247,925,897
Real Estate—at cost, less accumulated depreciation (1965—\$277,878; 1964—\$166,210).....	3,489,707	2,712,580
Loans to certificate holders (not exceeding cash surrender values).....	6,217,291	5,886,967
	<u>349,447,403</u>	<u>332,473,676</u>
Office Premises—at cost, less accumulated depreciation (1965— \$1,330,581; 1964—\$1,001,861).....	6,380,230	6,287,637
Investment in and advances to Sub- sidiary, Investors Trust Company —at cost, plus accumulated earnings.....	3,574,234	3,460,019
Advance to Trustee under employees' stock purchase plan.....	722,865	358,276
Accounts and Notes Receivable.....	1,400,077	1,406,258
Deferred Charges and Prepaid Expenses.....	1,479,842	1,348,287
Excess of Cost of Shares of Sub- sidiaries over book value of net assets.....	730,314	696,191
	<u>\$363,734,965</u>	<u>\$346,030,344</u>

CONSOLIDATED BALANCE SHEET

December 31st, 1965

LIABILITIES	1965	1964
Certificate and Other Liabilities:		
Certificate Liabilities.....	\$316,086,437	\$306,702,215
Bank Loan.....	3,600,000	—
Tax Deposits on mortgages.....	4,239,821	3,650,974
Income taxes payable.....	2,718,107	2,255,960
Other liabilities.....	3,232,373	3,008,938
	<u>329,876,738</u>	<u>315,618,087</u>
Income Deferred to Future Years.....	2,267,170	2,276,980
Provision for Losses—Investments.....	6,605,382	5,489,344
Minority Interest in Subsidiaries:		
Preferred Stock.....	47,478	393,878
Paid-in Surplus.....	6,250	6,750
	<u>53,728</u>	<u>400,628</u>
Shareholders' Equity:		
Capital Stock:		
Authorized—3,500,000 common shares of a par value of 5c each and 6,500,000 common class “A” shares of a par value of 5c each		
Issued and fully paid—		
3,016,385 common shares.....	150,819	150,819
5,325,705 common class “A” shares.....	266,285	266,285
	<u>417,104</u>	<u>417,104</u>
Surplus:		
Paid-in (premium on capital stock).....	1,361,539	1,361,539
Earned.....	23,153,304	20,466,662
	<u>24,931,947</u>	<u>22,245,305</u>
	<u>\$363,734,965</u>	<u>\$346,030,344</u>

Approved on behalf of the Board

J. Dawson Director *C. Hutchinson* Director

THE INVESTORS GROUP
and Subsidiary Companies
CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31	
	1965	1964
INCOME:		
Income from investments.....	\$ 21,412,092	\$ 19,670,292
Net income from management services.....	<u>4,816,187</u>	<u>3,594,323</u>
	<u>26,228,279</u>	<u>23,264,615</u>
INTEREST COST AND EXPENSES:		
Interest on certificate liabilities.....	11,528,899	10,996,743
Additional Credits to certificates.....	1,944,162	1,861,815
Operating expenses— less service fees.....	<u>2,819,393</u>	<u>2,535,134</u>
	<u>16,292,454</u>	<u>15,393,692</u>
NET INCOME BEFORE INCOME TAXES.....	9,935,825	7,870,923
Provision for income taxes.....	<u>4,356,000</u>	<u>3,317,000</u>
	<u>5,579,825</u>	<u>4,553,923</u>
Add: Earnings of subsidiary not consolidated.....	<u>164,760</u>	<u>154,414</u>
	<u>5,744,585</u>	<u>4,708,337</u>
Less: Minority interest in income of subsidiaries.....	<u>13,211</u>	<u>29,848</u>
NET INCOME (excluding net profits on sale of securities: (1965—\$319,236; 1964—\$372,970) credited to provision for losses-investments.....	<u>\$ 5,731,374</u>	<u>\$ 4,678,489</u>

Included in the Expenses are the following:

Depreciation and amortization.....	563,776	434,428
Directors' remuneration.....	131,400	128,290
(Including the salaries of Officers who are also Directors)		

THE INVESTORS GROUP
and Subsidiary Companies
CONSOLIDATED STATEMENT OF SURPLUS

	Year Ended December 31	
	1965	1964
PAID-IN SURPLUS:		
Balance at end of year.....	<u>\$ 1,361,539</u>	<u>\$ 1,361,539</u>
EARNED SURPLUS:		
Balance at beginning of year.....	20,466,662	18,083,344
Add: Net Income.....	5,731,374	4,678,489
Transfer of reserve for death and disability refunds.....	<u>—</u>	<u>109,193</u>
	<u>26,198,036</u>	<u>22,871,026</u>
Deduct: Dividends paid.....	2,919,732	2,252,364
Transfer to provision for losses—investments.....	<u>—</u>	<u>152,000</u>
Prior year income tax adjustment.....	<u>125,000</u>	<u>—</u>
Balance at end of year.....	<u>23,153,304</u>	<u>20,466,662</u>
TOTAL SURPLUS.....	<u>\$ 24,514,843</u>	<u>\$ 21,828,201</u>

INVESTMENT MANAGEMENT

Your Company, as the investment manager for its subsidiaries and affiliates, maintains extensive securities and mortgage management divisions to administer the large and growing volume of savings dollars entrusted to its care. These investment divisions must be alert to recognize opportunities to invest or loan funds so as to best achieve the financial goals of the various investment portfolios under management.

SECURITIES DIVISION

The securities division employs a large and highly experienced staff of investment specialists engaged in financial analysis and economic research. Analysts specialize in the study of each of the industries and make exhaustive investigations of the companies involved. They must be familiar with the technology of each industry and any changes or developments which might affect the future value of the stock of each company within the industry.

Our analysts meet regularly with independent professional consultants who are experts in specialized fields and in evaluation of economic conditions, both present and future. The analysts also make field trips, inspecting plant and equipment, and conducting interviews with management to determine the progress and prospects of individual companies. The knowledge gained from all these sources is used to initiate recommendations to the Company's investment committee.

During 1965, purchases and sales of securities by the department involved transactions totalling \$237,000,000. The Investors Group and its affiliated companies continue to be one of the largest purchasers of preferred and common stocks in Canada.



"Investment Committee"

INVESTMENT MANAGEMENT

MORTGAGE DIVISIONS

The mortgage divisions of Investors Syndicate Limited and The Western Savings and Loan Association maintain seven branch offices in principal Canadian cities, and an organization of mortgage loan and servicing agents located across the country. These divisions are responsible for the investments in first mortgages on residential, commercial and industrial properties. At the end of 1965, they managed mortgage portfolios of more than \$313,000,000 and during the year, loaned a total of \$60,000,000.

Through the network of branch offices and servicing agents, these divisions maintain close contact with the construction and mortgage lending industries throughout the country. Factors such as the general level of prosperity locally, regionally and nationwide, construction activity and costs, vacancy rates, availability of mortgage money and mortgage rates are all considerations to be taken into account in recommending for or against the granting of mortgage money for various projects large and small. Through its subsidiaries The Investors Group has for many years been one of the larger mortgage lenders in Canada.



Architects sketches of properties developed with mortgage dollars.

TWENTY-FIVE YEARS OF GROWTH

This report covers the 25th year that your Company has been serving Canadians. During this period, many investment services have been introduced and expanded. The large number of clients who have availed themselves of these services testifies to their acceptance. The assets they have entrusted to our administration have grown to 1 billion 228 million dollars. Here are the key dates and events in the Company's history:

1940—Investors Syndicate of Canada Limited was formed with assets totalling \$250,000. It offered three classes of savings certificates. Through growth and reorganization it has since become an investment management and holding company under the name, The Investors Group, with the distribution of investment services now handled by subsidiary companies.

1950—Investors Mutual of Canada Ltd. commenced business. A balanced mutual fund, it is now the largest in Canada.

1956—The original parent company, Investors Diversified Services Inc. of the United States, divested itself of control of its Canadian subsidiary Investors Syndicate of Canada Limited. Canadians have since acquired over 98% of the voting stock.

1957—Investors Trust Company was formed. It has since expanded into the full field of Trust services, providing clients of The Investors Group with more complete financial management facilities.

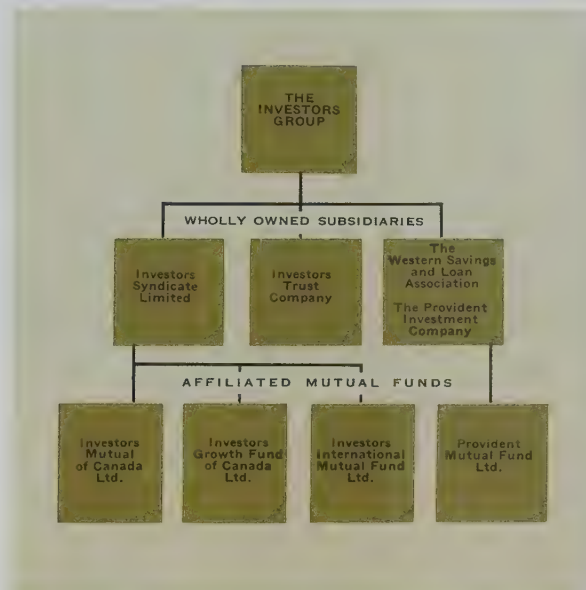
1957—Investors Growth Fund of Canada Ltd. commenced business. It has since grown into one of the major mutual funds in Canada, with the long-term growth of invested capital as its principal objective.

1960—The Western Savings and Loan Association and its subsidiary, the Provident Investment Company, were acquired. The investment services consisted of installment and single payment certificates. These have since been expanded and revised and now include the sale of the shares of Provident Mutual Fund Ltd.

1962—Investors International Mutual Fund Ltd. was formed. It emphasizes the long-term growth potential of foreign investments.

1962—Provident Mutual Fund Ltd. was formed. A balanced Mutual Fund offered by The Western Savings and Loan Association and Provident Investment Company.

1964—A corporate reorganization occurred. The Investors Group became the investment management and holding company of its various subsidiary and affiliated companies. A new subsidiary, Investors Syndicate Limited, was formed to handle the distribution of investment certificates and mutual fund shares.



THE INVESTORS GROUP

"FOUR CORNERSTONE PHILOSOPHY"

The companies of The Investors Group believe that each of its customers and shareholders should follow the Investors "Four Cornerstone Philosophy" which, simply stated, is as follows:

1. Money on deposit in a chartered bank, trust company or other equally sound depository to meet immediate needs and emergencies.
2. Adequate life insurance to provide for family needs in the event of the untimely death of the breadwinner.
3. A guaranteed, systematic, long-term savings and investment plan to assure a specific amount of money to finance such objectives as higher education, travel, retirement, or take advantage of opportunities.
4. Growth dollars—a share purchase program which provides the opportunity to participate in the ownership of a portfolio of professionally selected securities and thus participate in the growth of our country.

Investors Trust — Vancouver Branch



Western Savings — Saskatoon Region Office



Investors Syndicate — Quebec City Region Office



SALES AND SERVICING ORGANIZATION

INVESTORS SYNDICATE LIMITED

H. B. BEATON, General Sales Manager
G. H. HARLEY, Assistant General Sales Manager
E. P. ZIPP, Manager of Sales Services

REGION OFFICES

Managers

Brandon	151 - 8th Street.....	C. P. Fitz-Gerald
Calgary	312 - 320 7th Avenue S.W..... 6253 MacLeod Trail S.W.....	R. E. Mignault J. R. Fetterly
Edmonton	No. 700, Royal Bank Building, 101st Street and Jasper Avenue..... 8204-104th Street.....	G. H. Prestholdt P. S. McEachern
Halifax	5614 Fenwick Street.....	D. B. Reid
Hamilton	Royal Bank Building.....	F. J. Barker
Kelowna	1561 Pandosy Street.....	W. A. Shilvock
Kitchener	153 Frederick Street.....	G. D. Andrews
London	702 - 200 Queens Avenue.....	F. M. Boulton
Montreal	1155 Dorchester Blvd., West..... 5030 Sherbrooke Street, West.....	A. H. Hughes G. A. Gendron
New Westminster	601 Royal Avenue.....	R. M. Young
Ottawa	124 O'Connor Street.....	L. M. Peterson
Peterborough	359 Aylmer Street, North.....	C. K. Gareau
Port Arthur	14 N. Cumberland Street.....	G. G. Watson
Quebec	1301 Chemin Ste.-Foy Road.....	G. Labrie
Regina	2150 Scarth Street.....	P. D. Ball
Saint John	313 Bank of Nova Scotia Building, 40 Charlotte Street.....	G. F. Cameron
Saskatoon	406 - 21st Street East.....	P. V. Ross
Sherbrooke	Suite 2, 1576 King Street, West.....	J. H. R. Planche
Sudbury	New Loblaw Building, 17 Frood Road.....	W. H. Evans
Toronto	130 Bloor Street, West..... 88 University Avenue..... 2 St. Clair Avenue West.....	J. K. Brumell J. E. Vaughan R. J. Musselman
Vancouver	503 - 640 West Hastings Street.....	N. Astley
Victoria	1000 Douglas Street.....	A. M. Easton
Winnipeg	280 Broadway..... 280 Broadway.....	H. S. Brock-Smith D. A. Ritchie

SALES AND SERVICING ORGANIZATION

THE WESTERN SAVINGS AND LOAN ASSOCIATION

A. W. MALLETT, Executive Vice-President
D. H. C. ROBERTS, Vice-President and General Sales Manager

REGION OFFICES

Managers

Calgary	318 - 8th Avenue S.W.....	E. J. Loehr
Edmonton	10048 - 101st Street.....	R. A. Bellward
Lethbridge	208 - 324 - 7th Street S.....	D. E. Bennett
Regina	Ste. 2 - 1855 Rose Street.....	G. A. Little
Saskatoon	440 - 2nd Avenue North.....	R. E. Finley
Vancouver	311 - 470 Granville Street.....	W. C. Moreau
Victoria	208 - 645 Fort Street.....	G. Armstrong
Winnipeg	(City Branch) 280 Smith Street..... (Western Manitoba) 280 Smith Street..... (Eastern Manitoba) 280 Smith Street.....	G. A. Walker J. Wilson A. B. Gray

THE PROVIDENT INVESTMENT COMPANY

Toronto	43 Eglinton Avenue East.....	R. H. Grasley
Ottawa	1704 Carling Avenue.....	J. W. Gowland
Sudbury	160 Somerset Street.....	F. E. Franklyn

TRUST COMPANY BRANCHES

INVESTORS TRUST COMPANY

J. B. McRAE, General Manager
A. EDGAR, Manager, Estates Division
B. J. CONDY, Manager, Pension Department
A. C. LLOYD, Assistant General Manager, Montreal
R. W. GREGORY, Assistant General Manager, Toronto
A. M. DeGRAEVE, Provincial Manager, Saskatoon
J. N. HURST, Provincial Manager, Vancouver

BRANCH OFFICES

Managers

Montreal	1155 Dorchester Boulevard West.....	A. C. Lloyd
Regina	2180 Twelfth Avenue.....	W. J. Johnner
Saskatoon	402 21st Street East.....	A. M. DeGraeve
Toronto	88 University Avenue.....	W. A. de Nance
Vancouver	724 West Hastings Street.....	J. N. Hurst
Winnipeg	282 Portage Avenue (Depository Branch)..... 280 Broadway Avenue (Depository Branch).....	T. G. Bodie H. R. Juelich

